

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY MANAMA

AMEMBASSY KUWAIT

AMEMBASSY MUSCAT

AMEMBASSY SANA

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FOLLOWING REPEAT DHAHRAN 971 SENT ACTION SECSTATE INFO
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QUOTE LIMITED OFFICIAL USE DHAHRAN 0971

E.O. 11652: N/A

TAGS: ETRD, XF, SA

SUBJ: ARAB BOYCOTT: TRADE IMPACT OF ANTI-BOYCOTT LEGISLATION

REF: STATE 194719

1. REFTEL ARRIVED SAME MORNING THAT AUBREY WILSON, LOCAL MANAGER OF
IBM, WAS AT CONGEN FOR MEETING ON AMERICAN BUSINESSMEN'S ASSOC. OF
WHICH HE IS PRESIDENT. KNOWING THAT IBM HAD HAD PREVIOUS DIFFICULTY
WITH ARAB BOYCOTT IN EXPORTING TO SAUDI ARABIA (IBM COULD NOT POSITIV
POSITIVELY

IDENTIFY COUNTRY OF ORIGIN FOR MANY COMPONENT PARTS), CONSOFF ASKED
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PAGE 02 STATE 199904

WILSON IF U.S. EXPORTS OF IBM EQUIPMENT HAD ALSO BEEN AFFECTED BY EAA
ANTI-BOYCOTT REGULATIONS. WILSON SAID IBM HAD STOPPED ALMOST ALL
SHIPMENTS OF U.S.-MADE EQUIPMENT TO SAUDI ARABIA BECAUSE "IBM LAWYERS
HAD ADVISED SUCH ACTION" IN ORDER PREVENT ANY UNINTENTIONAL
VIOLATION OF U.S. LAW.

2. IBM SAUDI ARABIA WAS NOW BEING SUPPLIED BY IBM EQUIPMENT

MANUFACTURED IN EUROPE. BECAUSE KINGDOM HAD 60 CYCLE ELECTRICAL CURRENT SYSTEM, THIS REQUIRED CHANGE-OVER OF EUROPEAN EQUIPMENT IN EUROPE AND RESULTED IN LATE DELIVERIES TO SAUDI ARABIA. THIS "INCONVENIENCE" WAS LESS IMPORTANT TO IBM, HOWEVER, THAN UNINTENTIONALLY BREAKING U.S. LAW. THUS, ACCORDING TO WILSON, IBM PRESIDENT HIMSELF MUST PERSONALLY AUTHORIZE ANY SHIPMENT OF U.S.-MADE IBM EQUIPMENT TO SAUDI ARABIA.

3. WHEN ASKED WHAT VALUE HE WOULD PLACE ON LOST U.S. EXPORTS TO SAUDI ARABIA BECAUSE OF IBM TRANSFER OF ORDERS TO EUROPEAN SOURCES, WILSON SAID ANNUALLY "ABOUT 20 TO 30 MILLION DOLLARS."

4. COMMENT: WILSON'S DOLLAR FIGURE WAS FIRST WE HAVE HEARD CITED WITH REGARD TO ADVERSE EFFECTS OF EAA ANTI-BOYCOTT REGULATIONS ON U.S./SAUDI TRADE. SAUDI BUSINESSMEN HAVE TOLD US THAT SOME U.S. BUSINESSES HAVE BEEN RELUCTANT TO DO BUSINESS WITH THEM, CITING ANTI-BOYCOTT REGULATIONS, BUT WE HAVE NEVER BEEN SURE WHETHER RELUCTANCE WAS DUE TO FACT THAT U.S. BUSINESSES WERE INEXPERIENCED IN EXPORT TRADE OR WHETHER U.S. BUSINESSMEN MIGHT BE ACTUALLY AFFECTED BY ANTI-BOYCOTT REGULATIONS. WILSON'S EXAMPLE, HOWEVER, IS CLEAR CASE OF WHERE U.S. EXPORTS HAVE BEEN SUPPLANTED BY EUROPEAN EXPORTS DUE TO APPARENT FEAR BY IBM OFFICIALS THAT EAA REGULATIONS MIGHT HURT COMPANY.
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PAGE 03 STATE 199904

UNQUOTE CHRISTOPHER

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